



15-61-202, MCA  
Instructions on back

Name \_\_\_\_\_ Social Security Number \_\_\_\_\_

Medical care savings account number \_\_\_\_\_

Financial institution where account is held \_\_\_\_\_

Address of financial institution \_\_\_\_\_

Date	A Deposits	B Interest earned	C Withdrawals used for eligible medical expenses	D Withdrawals used for non-eligible medical expenses	Balance columns A + B less columns C + D
Enter beginning balance as of January 1. Carry over amount from ending balance of prior year.					➔
Dec. 31					
Carry forward balance as of December 31 to next year's MSA account.					⬆

Your allowable reduction is the total of column A or \$3,000, whichever is less, plus the interest earned on the principal balance.

**When you file your Montana income tax return electronically you represent that you have retained all documents required as a tax record and that you will provide a copy to the department upon request.**

## Montana Medical Care Savings Account

For more information regarding the medical care savings account, please access the website <http://www.montana.edu/wwwpb/pubs/mt9817.html>.

Montana resident taxpayers are allowed a reduction to arrive at Montana adjusted gross income for funds contributed to an account used specifically for eligible medical expenses.

A taxpayer may contribute any amount to a medical savings account (MSA). The maximum tax reduction is \$3,000 per taxpayer per tax year. Jointly held accounts do not qualify as an MSA, although each spouse, regardless of income tax filing status, may maintain a separate MSA.

In addition to deducting up to \$3,000 in contributions to a medical care savings account, annual interest earned on excess contributions and principal in a Montana Medical Care Savings Account is excluded from Montana adjusted gross income and may only be withdrawn from an account to pay for eligible medical expenses.

Any amount of monies used in the reduction of income in one year cannot be deducted again in a future year.

### Self-Administered Account Holders

The law allows taxpayers to self-administer MSAs. A self-administered individual MSA may be established with a financial or other institution. The self-administered account holder is not required to register with the department. The self-administered MSA must be kept separate from all other accounts and be maintained specifically to pay eligible medical expenses for the individual account holder, his or her spouse, and any dependents.

Self-administered account holders must file an annual report (Form MSA) with their individual income tax return.

### Eligible Medical Expenses

Eligible medical expenses are defined under Internal Revenue Code Section 213, and are the same expenses which, if not paid with MSA funds, would be allowed as an itemized deduction for

Montana income tax purposes. Within certain limitations, the contributions to an MSA will be tax free as long as the account is used to pay eligible medical expenses. The maximum reduction per year allowed per taxpayer for Montana tax purposes is \$3,000 plus any interest the account accumulates. Withdrawals made for anything other than eligible medical expenses are subject to a 10% penalty. These penalties cannot be deducted from income. Non-eligible withdrawals made on the last weekday of December are not subject to the penalty.

Any non-eligible withdrawals are taxed as ordinary income if previously deducted. Eligible medical expenses reduced under the MSA cannot be deducted elsewhere on the income tax form.

### Documentation Requirements

The account holder in all circumstances is required to maintain documentation to verify eligible medical expenses. The self-administered account holder must also maintain documentation of contribution and withdrawal amounts and dates, interest earned on the account, the year end balance and any penalties for ineligible withdrawals. Self-administered account holders must also keep copies of the financial or other institution's statements of account.